

# STATE AUDITOR' OFFICE

## SECURITIES DIVISION

### DEPARTMENT DIVISION PROGRAM CONTACTS

The department, division, program director and chief financial officer for the department, division, program and their contact information are:

State Auditor	John Morrison	444-2040	<a href="mailto:jmorrison@mt.gov">jmorrison@mt.gov</a>
Deputy State Auditor	Gordon Higgins	444-5223	<a href="mailto:ghiggins@mt.gov">ghiggins@mt.gov</a>
Deputy Securities Commissioner	Lynne Egan	444-4388	<a href="mailto:legan@mt.gov">legan@mt.gov</a>
Central Management Administrator	John Huth	444-5438	<a href="mailto:johuth@mt.gov">johuth@mt.gov</a>

### WHAT THE DEPARTMENT, DIVISION, PROGRAM DOES

The Securities Division is responsible for the administration and enforcement of the Securities Act of Montana. The division is responsible for the registration of securities issuers, salespeople, investment advisers, broker-dealers, and investment adviser representatives. It also investigates instances of unregistered or fraudulent securities transactions.

### STATUTORY AUTHORITY FOR DEPARTMENT, DIVISION, PROGRAM

The Montana State Auditor is the Commissioner of Securities pursuant to Montana Code Annotated 2-15-1901, 30-10-102 and 30-10-107.

### HOW SERVICES ARE PROVIDED

The Division is organized into 1 bureau with the following functions:

The Securities Department is charged with multiple duties as set forth in the Securities Act of Montana at §30-10-102, MCA. Those duties include protecting the investor, persons engaged in securities transactions and the public interest; promoting uniformity among the states; and encouraging, promoting and facilitating capital investment in Montana.

The statutory authority for the Securities Department is found at §30-10-107, MCA.

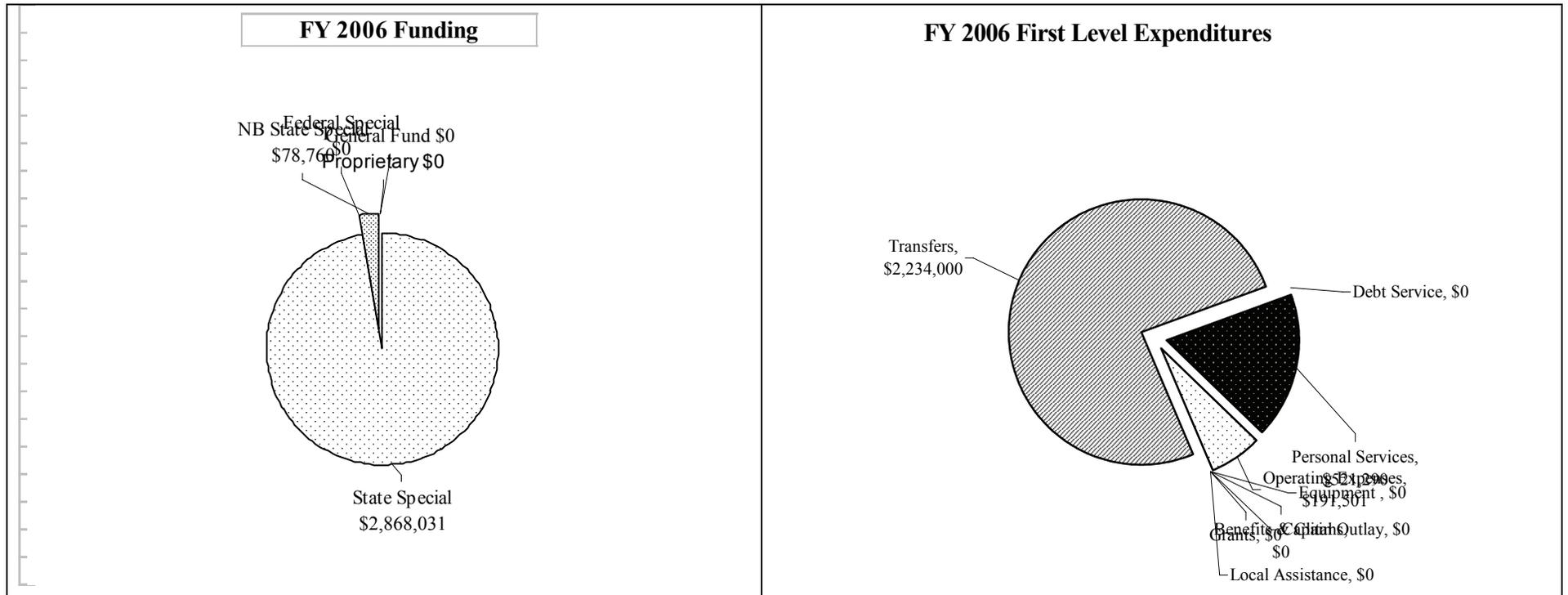
The Securities Department is organized as a single unit with the following functions:

- Enforcing of the Securities Act of Montana through the regulation of securities salespeople, firms, financial advisers and companies offering and selling securities to or from Montana;

- Regulating the securities industry through a comprehensive broker-dealer and investment adviser firm examination program to ensure firms have adequate policies and procedures to prevent and detect potential violations of the Securities Act of Montana;
- Providing investor education and law enforcement training programs;
- Participating as a member of the North American Securities Administrator's Association;
- Providing geographically dispersed capital formation seminars;
- Participating in various economic roundtable and angel investor networks throughout Montana.

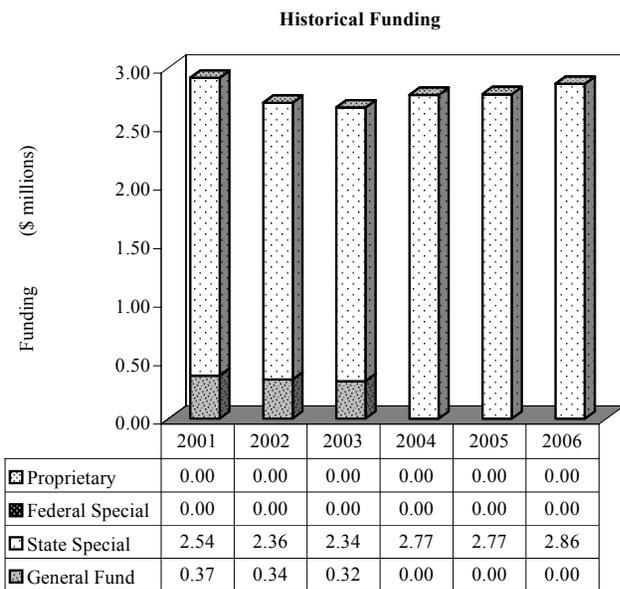
## SPENDING AND FUNDING INFORMATION

The following figures show funding and expenditure information for FY 2006 for all sources of funding of the Securities Division. Because the figures include all sources of funding, there are no direct relationships between these figures and appropriation levels presented in the Budget Analysis for the 2007 Biennium.

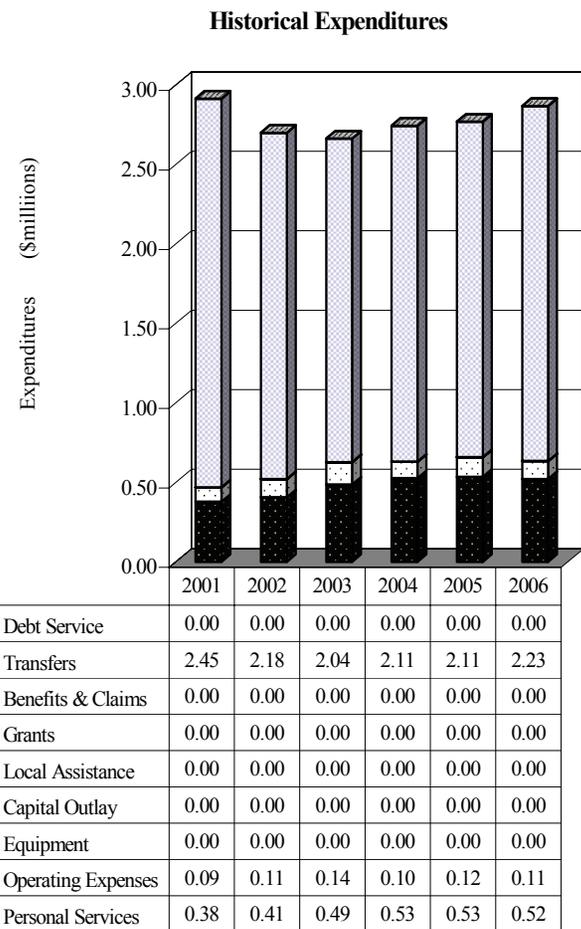


The above information does not include administrative appropriations. The department does not have any administrative appropriations. Departmental indirect charges are not included as expenditures or revenues in the above tables.

The following figures show funding and expenditures from FY 2001 through FY 2006, for HB 2 funding.



	2001	2002	2003	2004	2005	2006
Proprietary	0.00	0.00	0.00	0.00	0.00	0.00
Federal Special	0.00	0.00	0.00	0.00	0.00	0.00
State Special	2.54	2.36	2.34	2.77	2.77	2.86
General Fund	0.37	0.34	0.32	0.00	0.00	0.00



	2001	2002	2003	2004	2005	2006
Debt Service	0.00	0.00	0.00	0.00	0.00	0.00
Transfers	2.45	2.18	2.04	2.11	2.11	2.23
Benefits & Claims	0.00	0.00	0.00	0.00	0.00	0.00
Grants	0.00	0.00	0.00	0.00	0.00	0.00
Local Assistance	0.00	0.00	0.00	0.00	0.00	0.00
Capital Outlay	0.00	0.00	0.00	0.00	0.00	0.00
Equipment	0.00	0.00	0.00	0.00	0.00	0.00
Operating Expenses	0.09	0.11	0.14	0.10	0.12	0.11
Personal Services	0.38	0.41	0.49	0.53	0.53	0.52

The change in revenues and expenditures between FY 06 and FY 08 resulted from present law adjustments. The Securities Divisions budget had present law adjustments, the state pay plan, personal services adjustments and the rent increase for the old Shodair Children's Home and Hospital building as per the agency's contract.

# 2007 BIENNIUM NEW PROGRAM IMPLEMENTATION AND PROGRAM EXPANSION

## PROGRAM EXPANSION

The Securities Division did not implement or expand any programs in the 2007 biennium. Present law adjustments and the state pay plan were the only adjustments to the Securities Division budget. State special revenue funding to cover a 2 percent per year increase in rented space at the old Shodair Children’s Home and Hospital building as per the agency’s contract and increase in the Securities Contract Examination budget were the present law adjustments for this division. Contract Examinations are a restricted appropriation and the cost of the examinations is offset by reimbursements from the security companies.

## FTE

There were no approved appropriations for additional FTE in the 2007 Biennium for this division.

2007 Biennium FTE Hire Dates	FTE	Date

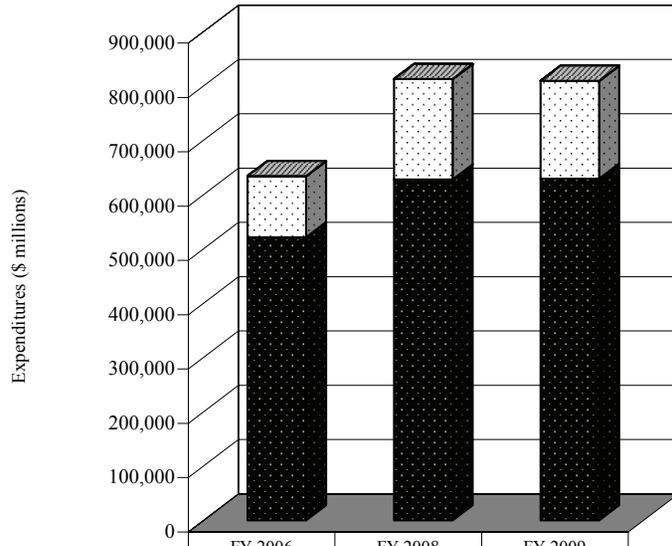
## CORRECTIVE ACTION PLANS

The Division did not have any legislative or federal audit recommendations or associated corrective action plans in place during the 2005 biennium.

## 2009 BIENNIUM BUDGET

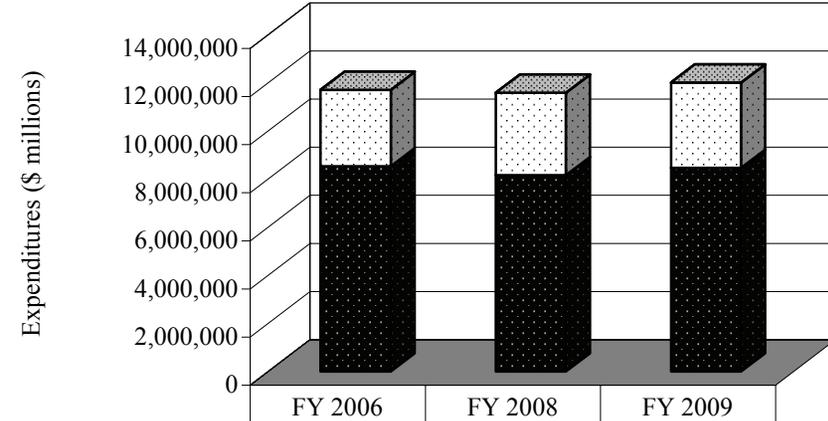
The following figures show the proposed HB 2 budget for the 2009 biennium.

**State Auditor's Office  
2009 Biennium HB2 Budget**



	FY 2006	FY 2008	FY 2009
Debt Service	0	0	0
Transfers	0	0	0
Benefits & Claims	0	0	0
Grants	0	0	0
Local Assistance	0	0	0
Capital Outlay	0	0	0
Equipment	0	0	0
Operating Expenses	112,741	184,755	180,268
Personal Services	521,461	627,941	629,292

**State Auditor's Office  
2009 Biennium HB2 Budget**



	FY 2006	FY 2008	FY 2009
Proprietary	0	0	0
Federal Special	0	0	0
State/Other Special	3,179,791	3,435,822	3,539,967
General Fund	8,531,775	8,155,000	8,467,000

**GOALS AND MEASURABLE OBJECTIVES**

The following figure shows the department base year and budgeted biennium goals and performance measures that are associated with the proposed 2009 biennium HB 2 budget.

State Auditor's Office  
Securities Division

Measurable Objectives for the 2009 Biennium		
Goal	Measurable Objectives	Current status of Measures
To protect the investor, persons engaged in securities transactions, and the public interest through	Enforcement of the Securities Act of Montana through the regulation of securities salespeople, firms, financial advisers and companies offering and selling securities to or from Montana;	
	Regulation of the securities industry through a comprehensive broker-dealer and investment adviser firm examination program to ensure firms have adequate policies and procedures to prevent and detect potential violations of the Securities Act of Montana;	
	Continuation of the investor education and law enforcement training programs;	
	Active participation in the InvestSmart program.	
To promote uniformity among the states through:	Active participation as a member of the National Association of Securities Administrators Association (NASAA)	
	Participation in National Association of Securities Dealers (NASD), Securities and Exchange Commission (SEC) and NASAA examination sweeps	

Participation in National Association of Securities Dealers (NASD), Securities and Exchange Commission (SEC) and NASAA examination sweeps	Geographically dispersed capital formation seminars;	
	Participation in various economic roundtable and angel investor networks throughout Montana.	

**BUDGET AND POLICY ISSUES**

The following budget or policy issues are included in the division budget submission to the Governor’s Office. The increase to the division’s budget is related to present law adjustments. The three most significant adjustments are the state pay plan, personal services adjustments, the rent increase for the old Shodair Children’s Home and Hospital building as per the agency’s contract, and the increase in the contract examinations.